

BEFORE THE
UNITED STATES
HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY
AND AIR QUALITY

TESTIMONY OF
MARY ANN MANOOGIAN
DIRECTOR
OFFICE OF ENERGY & PLANNING
STATE OF NEW HAMPSHIRE

And also on behalf of the
National Association of State Energy Officials
And the
National Energy Assistance Directors' Association

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Summary of Testimony of
Mary Ann Manoogian
Director
Office of Energy and State Planning
State of New Hampshire

and also representing
the National Association of State Energy Officials
and the National Energy Assistance Directors' Association

- The price increases for natural gas, heating oil and propane are unprecedented and the impacts on low-income and middle income Americans this winter will be grave.
- Increases ranging from 30-70% over last winter are on top of enormous increases from the preceding winter. For example, in New Hampshire we are seeing 105% increases in heating oil from 2003.
- Low income Americans pay a far higher percentage of their income on energy costs than do median income citizens. With the increases in gasoline prices in addition to increases in heating oil, natural gas and propane, Americans are doubly hit with prices they can ill afford.
- Congress should fully fund the LIHEAP to the \$5.1 billion funding level authorized in the Energy Policy Act of 2005 and do so immediately to ensure that low income Americans are *safe* and *warm* this winter season.
- Congress should fully fund the State Energy Program up to the authorized level of \$100 million and the Low-Income Weatherization Assistance Program up to the authorized level of \$500 million. These programs provide short-term benefits and long-term savings to consumers of all types.
- States are responding to the present emergency including educating the public on no/low cost measures to conserve energy. However, states cannot manage this emergency on our own, additional Federal funds are necessary.

Mr. Chairman, members of the Committee, my name is MaryAnn Manoogian and I am the Director of New Hampshire's Office of Energy and Planning. I am honored to be here today, on behalf of Governor John Lynch, to testify today on the critical energy situation we are facing this winter.

My office is also a member of the National Association of State Energy Officials (NASEO) and the National Energy Assistance Directors Association (NEADA). As the director of our state's energy office my responsibilities include oversight of the federal Low-Income Home Energy Assistance Program (LIHEAP), State Energy Program, the Low-Income Weatherization Program, as well as monitoring energy prices and supply for our state and ensuring energy emergency preparedness.

In the eight years I have been with New Hampshire's energy office, I have never witnessed such unprecedented increases in energy prices over a sustained period of time. Consequently I have grave concerns about ensuring that our most vulnerable citizens - the elderly, people who are disabled and working poor families - are safe and warm this winter season. Today I will discuss the winter fuels outlook and the impact of these high prices on consumers.

NASEO, NEADA, the National Association of Regulatory Utility Commissioners (NARUC) and the National Association of State Community Services Programs (NASCSPP) all wrote to the President and the congressional leadership on September 15, 2005, suggesting specific actions which could be taken in terms of federal funding that could actually help this winter and reflect funding measures authorized in the Energy Policy Act of 2005. I have attached this letter to my testimony for the record.

Higher Energy Prices and Consumer Impacts

In early October NASEO hosted the Winter Fuels Outlook sponsored by DOE's Energy Information Administration (EIA) and Office of Electricity Delivery and Energy Reliability. NASEO and DOE have conducted this Winter Fuels Outlook for many years, but this year, due to the significant increases in energy prices, media and public attention was far more pronounced. It seems that many people are looking for the silver bullet to resolve the energy problems confronting our nation. However, these energy problems were not created overnight and we cannot expect to solve them overnight. What we can do is ensure that consumers are well protected and have the resources necessary to stay safe and warm during the heating season.

As I review the EIA projections, which include almost a 50% increase in natural gas prices (approximately 70% in the Midwest), increases of approximately one-third for heating oil (mostly impacting the northeast and mid-Atlantic regions), and increases of approximately 30% for propane (impacting rural areas throughout the nation), I know that the ramifications for many American households and small businesses will be staggering.

A critical fact that I want to highlight is that this winter's projected price increases *are on top* of significant price increases last winter. Energy prices, including gasoline, have been on a steady increase the past two years. For example, in mid-October, New Hampshire residents were paying on average 33% more for heating oil than they were for the same time period in 2004; and a 105% increase from 2003. For gasoline New Hampshire citizens paid 34% more than in 2004 and 62% more than in 2003. Consumers have had no respite from rising energy costs.

I also want to recognize the difficult challenges EIA faces in making its projections. I say this not to question EIA and the important data the agency provides, but in recognition of the

fact that the agency has no control over external factors such as weather conditions and geopolitical events.

For example, EIA's October 2004 projection for heating oil in the Northeast was \$1.75 a gallon. Using data from the State Heating Oil and Propane (SHOPP) survey, New Hampshire's actual statewide average was \$2.055 a gallon price. This 17% increase from the October '04 projection is an important fact to keep in mind as we continue to prepare for this winter season.

As you know, low income Americans pay a far greater percentage of their income for energy costs than do more affluent citizens. Many energy officials are legitimately concerned that lower-income Americans, including those who are elderly and disabled, will be at far greater risk this winter. Moreover, I regret to report that this is *the first year* that my office and our state's Community Action Agencies are hearing from an overwhelming number of households in the middle income category who are legitimately concerned that they will be unable to pay for their energy bills this winter. The increased costs last winter coupled with high gasoline costs have many middle income families concerned that when this winter is over, they will have fallen even further behind on their energy bills.

Low Income Home Energy Assistance Program (LIHEAP)

I appreciate the bi-partisan support for the Low-Income Home Energy Assistance Program (LIHEAP) over the years and want to underscore that given the rising energy prices in all energy sectors and the volatility of the market, it is imperative that states that operate heating programs receive assistance as soon as possible.

With the FY'05 federal funding of approximately \$2 billion, 15.6% of eligible households nationwide (federal eligibility is 60% of median income) were served, which equates

to approximately 5 million families. The average benefit was approximately \$313. States supplement these funds with state public benefit funds, in addition to other resources provided through private or utility networks. This winter, with energy prices escalating at hundreds of dollars per household, NEADA and NASEO members expect an enormous number of people having to face stark choices as they choose between heating and other necessities such as food, medication or the ability to pay the rent/mortgage.

To put this in perspective, last heating season in New Hampshire, the Community Action Agencies processed approximately 36,000 requests for heating assistance through the end of April. Between the base grant and supplemental emergency assistance, New Hampshire's LIHEAP total award was \$18.2 million in federal fiscal year 05, resulting in an average benefit of \$570 per household.

This year, our Community Action Agencies have already processed over 20,000 applications. We are not even into the start of the winter season and our state program has processed more than half the total applications taken last heating season. To compound the problem, at current fuel prices, the average benefit of \$575 will buy a LIHEAP recipient less than a full tank of oil.

And like many other states, we know that sufficient funding does not exist to serve all LIHEAP eligible households. The US Census Bureau estimates that approximately 146,475 New Hampshire households are under 60% of the State Median Income and therefore, in accordance with federal regulations, eligible for LIHEAP. Unfortunately, due to limited funds we have had to restrict eligibility to 185% of the federal poverty level. The pleas that my office and the Community Action Agencies receive to increase eligibility are alarming. And the funding we currently have under the Federal Continuing Resolution is not sufficient to serve the

84,000 New Hampshire households who are eligible at 185% of the federal poverty level – let alone those households which are LIHEAP eligible at 60% of the State Median Income.

Although New Hampshire operates a winter heating program, I want to stress that LIHEAP is not simply a cold weather state problem. Next summer, with high prices expected to continue, the costs of air conditioning will likely increase dramatically, with similar impacts on low and middle income Americans. In addition, rural America is facing a crisis with escalating propane prices. For many Americans who either pay heating or cooling bills, the problem is further compounded by high gasoline prices.

I cannot underscore enough the need for LIHEAP assistance and the fact that for those states operating heating programs, it is crucial to receive funds immediately. We need to assist our most vulnerable households and discourage them from engaging in unsafe practices in an effort to stay warm. According to our state's Fire Marshall, New Hampshire is the only state where the number one cause of fire related deaths is the result of improper use of heating systems. Governor Lynch and other public and private officials are doing all we can to ensure that this alarming statistic does not increase this winter season. Immediate funding for LIHEAP assistance will serve to prevent needless tragedies this winter.

Energy Efficiency and Conservation:

In addition to meaningful and immediate funding for LIHEAP, our experience has taught us that the State Energy Program and Special Projects grants as well as the low-income Weatherization Program are also critical components of a balanced national energy policy. Energy efficiency and conservation programs for years have been both under-valued and under-

funded. However, as demonstrated in the 2001 California energy crisis, energy efficiency and conservation play a vital role in addressing price volatility and supply related issues.

As you are well aware, the Energy Policy Act of 2005 recognizes the valuable role that energy efficiency serves. On behalf of NASEO and NEADA, I encourage members of this committee to identify ways to accelerate the rules and the start-date for the tax credits to help consumers (Sections 1332 and 1333); full funding for the Low Income Home Energy Assistance Program; full funding of the Energy Star Program and other public information initiatives; full funding and support for the State Energy Program and the Weatherization Assistance Program; the state energy efficiency pilot program (Section 140 of the Energy Policy Act) and the Appliance Rebate Program (Section 124 of the Energy Policy Act).

If the State Energy Program was funded at the authorized level of \$100 million, the states could implement a dramatically expanded program to reduce energy consumption for residential consumers, schools, hospitals, businesses and the agricultural sector. For every federal dollar invested in the program, over \$7 is saved in direct energy costs.

In New Hampshire, one use of SEP funds is to support an ambitious public sector performance-contracting program: the Building Energy Conservation Initiative (BECI). This program has implemented energy efficiency measures in 151 state government buildings with an annual savings of \$1,175,440 (at 2004 energy prices). The program uses guaranteed energy savings as the equity to secure financing for building upgrades. Consequently, the State of New Hampshire has reduced its energy consumption by 79,399 mmBtu per year and greenhouse gas emissions by over 40,000 tons per year. In this example, SEP funds support a program that leverages as much as \$11 million in financing. Furthermore the success of the BECI program has enabled us to expand the program to municipalities and schools.

If the Weatherization Program was funded at the authorized level of \$500 million, approximately 230,000 homes could be weatherized in the coming year. Every home that is weatherized reduces its energy usage by approximately 25%. In a time of increased energy costs those reductions are significantly more valuable, and are long-lived. In addition to the meaningful energy conservation measures that help reduce energy bills, the program also addresses important health and safety measures for many families and vulnerable elderly and disabled persons. These investments will continue to help consumers meet their energy needs for years to come.

We recognize that the Weatherization Program is an essential long-term program that complements the critical, short-term assistance provided by the LIHEAP program, which is why in New Hampshire we use a single application that is utilized in both programs. Out of those that applied for LIHEAP assistance last year, at least 7630 households requested weatherization assistance. Unfortunately, due to limited DOE funding for the program, only 701 households received Weatherization Program assistance. In New Hampshire, we do leverage DOE Weatherization dollars with the electric and natural gas utilities' energy efficiency programs, however it still is not sufficient to meet the demand.

States Responses

At the state level, as soon as the scope of the problem associated with Hurricane Katrina became apparent, NASEO convened all the state energy offices by conference call to share situation reports and response procedures. NASEO members know that it is critical to coordinate our responses so that adjoining states do not take dramatically different actions than their neighbors, thereby exacerbating the situation. In addition to conference calls, which

occurred on a daily basis in the immediate aftermath of Katrina, state energy officials shared model energy emergency declarations, executive orders, public service announcements, emergency response plans and accelerated energy conservation measures, etc. We also have regional conference calls. These calls have continued on an as-needed basis. NASEO appreciates the good cooperation from DOE's Office of Electricity Delivery and Energy Reliability. Representatives from that office, headed by Kevin Kolevar, have worked closely with the states.

Approximately one-half of the states are involved in the State Heating Oil and Propane Program (SHOPP), which involve real-time surveys of prices and supplies for heating oil and propane during the winter months. In this activity, NASEO works closely with EIA as do the individual states. I know that in New Hampshire, we rely upon EIA data and officials in our energy planning.

States across the country are engaged in a myriad of activities in an effort to combat increased energy costs. Many states are responding to this national energy crisis by implementing a variety of measures including but not limited to public information campaigns to reduce usage and take certain steps that can help, such as: 1) utilizing the most fuel-efficient family car; 2) taking advantage of state and utility programs to implement energy efficiency measures; 3) increasing carpooling, vanpooling and telecommuting; 4) encouraging homeowners to add insulation, caulk, weather strip, replace furnace filters, and car tune-ups, etc.; 5) lowering the thermostat and insulating water heaters; and 6) installing programmable thermostats.

In New Hampshire, Governor Lynch will be posting a new website titled StayWarmNH as a tool for residential and business consumers to learn about energy conservation tips in addition to other assistance programs that can help with their winter heating costs. New

Hampshire, as is the case in many states, is also monitoring home heating oil and gas prices and carefully checking for any signs of price gouging.

Finally, one additional matter of serious concern is that the now is not the time to eliminate the six regional offices operated by the Department of Energy. As we are attempting to deal with an energy emergency, we should not be eliminating the Department's outreach arm to the states, businesses, schools, municipalities and others. As a member of DOE's State Energy Advisory Board and a State Energy Official, I have found the regional offices can play a vital role when given the opportunity in helping states with the deployment of energy efficiency programs as well as technology. I have also found our regional office invaluable in times of an actual energy crisis.

Conclusion

LIHEAP, the State Energy Program and Weatherization Program are all deserving of bipartisan support, and have generally received such support in the past. On behalf of NASEO and NEADA, we look forward to working with the Committee to ensure that our country's consumers are well served in the near term and to aid in identifying actions to address the longer-term needs for secure, affordable, and environmentally responsible energy future.

If I can answer any questions now or at any other time, I would be pleased to do so. Thank you again for the opportunity to appear before you today.